

EXHIBIT 3

Testimony by the CalHFA General Counsel

at the public meeting on January 9, 2003

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS
PUBLIC MEETING

The Westin Hotel
San Francisco International Airport
Millbrae, California

Thursday, January 9, 2003
9:40 a.m. to 12:30 p.m.

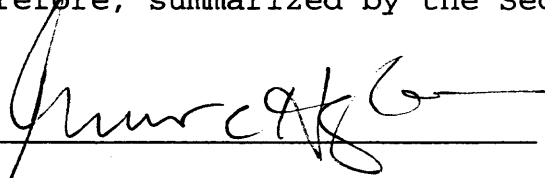
"Minutes approved by the
Board of Directors at its
meeting held: March 20, 2003"

Attest: 

Reported and Transcribed by: Gail Christopherson-Schurr

1 **BOARD SECRETARY'S NOTE**

2 The meetings of the Board of Directors of the
3 California Housing Finance Agency are typically transcribed
4 verbatim by a court reporter, and the verbatim record serves
5 as the official minutes of the Board. On January 9, 2003,
6 the regularly scheduled court reporter did not appear. The
7 meeting commenced as scheduled. During the meeting, staff
8 obtained a tape recorder and taped the proceedings. That
9 tape served as the basis for the transcribed record. Because
10 the tape recorder was not procured until after the meeting
11 started, the initial portions of the meeting were not
12 recorded. The initial portions of the meeting are,
13 therefore, summarized by the Secretary.



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16 Thomas C. Hughes

17 Secretary to Board of Directors
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1 regulation itself, and I think I have a high amount of
2 confidence that we will be presenting something eventually
3 that will change that situation.

4 CHAIRMAN WALLACE: Let's go to -- that takes care
5 of Item 10. Let's go to Item 11 and hope -- beyond hope --
6 that it's not as complex.

7  RESOLUTION 03-10 

8 MR. HUGHES: Thank you, Mr. Chairman.
9 Interestingly, this next item is also, is the resolution that
10 would authorize us to change some of our mortgage insurance
11 resolutions, regulations, excuse me. As the Board knows from
12 what we've discussed previously, we have reviewed the
13 mortgage insurance operations very thoroughly. There are, as
14 with many of our outdated regulations, many changes that need
15 to be made. Most of the changes that we believe we will
16 need in the mortgage insurance side requires statutory
17 changes as well. The two regulations that are before the
18 Board right now are matters that can be taken without the
19 need for statutory change, so we thought we would take these
20 up now and not tie them into any later statutory
21 modifications that we may be pursuing. The two regulations
22 as described in the staff report: one is, the first one
23 would simply eliminate the distinction between Agency loans
24 and non-Agency loans in terms of what types of loans our
25 mortgage insurance operation can insure. As a practical

1 matter, we do insure both Agency and non-Agency loans, and
2 that would simply bring this regulation into conforming what
3 the current business model is. And similarly the second
4 regulation by statute, the Agency can set loan-to-value
5 limitations on insured loans. And the second regulation
6 would increase the current LTV to a loan-to-value limitation
7 that reflects where the market is today on these certain
8 mortgage insurance products. I would note that the current,
9 as of January 1 of this year, private mortgage insurers were
10 allowed to insure loans up to 103 percent of value. So this
11 would actually give us a little bit more of a leeway in that
12 regard to up 107 percent. And that 107 percent is the total
13 of all loans on the property, not necessarily the Agency's.

14 MS. PETERSON: Aren't these just reflecting
15 reality?

16 MR. HUGHES: Yes, exactly.

17 CHAIRMAN WALLACE: Wasn't that the case in the last
18 motion? [laughter]

19 MS. PETERSON: Debatable. I would move the
20 resolution.

21 MS. BORNSTEIN: Second.

22 CHAIRMAN WALLACE: Any discussion from the Board or
23 the audience? Hearing, seeing none, secretary, call the
24 roll.

25 MS. OJIMA: Thank you, Mr. Chairman.

1 MS. Peterson?

2 MS. PETERSON: Aye.

3 MS. OJIMA: Ms. Bornstein?

4 MS. BORNSTEIN: Aye.

5 MS. OJIMA: Ms. Sandoval?

6 MS. SANDOVAL: Aye.

7 MS. OJIMA: Ms. Hawkins?

8 MS. HAWKINS: Aye.

9 MS. OJIMA: Mr. Klein?

10 MR. KLEIN: Aye.

11 MS. OJIMA: Mr. Shine?

12 MR. SHINE: Aye.

13 MS. OJIMA: Mr. Wallace?

14 CHAIRMAN WALLACE: Aye.

15 MS. OJIMA: Resolution 03-10 has been approved.

16 CHAIRMAN WALLACE: Resolution 03-10 is hereby
17 approved.

18 **OTHER BOARD MATTERS/REPORTS**

19 CHAIRMAN WALLACE: Okay. Ken, in all due respect,
20 I'm going to defer you again on your number 12. Much to your
21 relief on Item 12. Sorry, but because we've got to get into
22 the Business Plan, let me take a -- we're not going to have
23 action. Who has to get out of here before 1:30?

24 MS. PETERSON: 1:30?

25 CHAIRMAN WALLACE: Planes, trains, buses, cars? At

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CERTIFICATION AND
DECLARATION OF TRANSCRIBER

I, Gail Christopherson-Schurr, do hereby declare
and certify, under penalty of perjury, that I have
transcribed two (2) tapes in number and this covers a total
of pages 1 through 101, and which recording was duly recorded
at Millbrae, California, in the matter of the Board of
Directors Public Meeting of the California Housing Finance
Agency on the 9th day of January 2003, and that the foregoing
pages constitute a true, complete and accurate transcript of
the aforementioned tapes, to the best of my ability.

Dated this 19th day of February 2003 at Sacramento
County, California.

Gail C. Schurr

Gail Christopherson-Schurr, Transcriber

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